

THE SURETY & FIDELITY ASSOCIATION OF AMERICA  
SERVING THE INDUSTRY SINCE 1908

October 20, 2016

Via Electronic Mail

Clerk of the Board  
California Air Resources Board  
1001 I Street  
Sacramento, California 95814

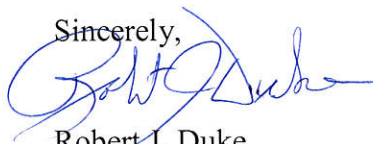
**Re: Proposed Amendments to the Evaporative Emission  
Requirements for Small Off-Road Engines  
Title 13 CCR Sections 2750-2773**

The Surety & Fidelity Association of America ("SFAA") is a non-profit corporation whose member companies collectively write the majority of surety and fidelity bonds in the United States. SFAA is a licensed rating or advisory organization in all states and is designated by state insurance departments as a statistical agent for the reporting of fidelity and surety experience. The vast majority of bonds that secure regulatory obligations are provided by SFAA members. We appreciate the opportunity to submit comments regarding the captioned proposed regulations, particularly the new bond requirements set forth at proposed 13 CCR § 2774.

Proposed § 2774(b) states that small engine manufactures with assets less than \$ 3 million (if the manufacturer holds an Executive Order of Certification in each of the preceding ten years without failing a compliance test) and manufacturers with assets of less than \$10 million (if the manufacturer does not meet the previous standard) must furnish a surety bond to secure the manufacturer's compliance and enforcement obligations. The maximum amount of the bond is the applicable threshold described above (\$3 million or \$10 million). Although we do not opine regarding the appropriate bond amounts, we advise that bond amounts at such levels (\$3 million or \$10 million) could affect availability negatively.

Unlike other forms of insurance, in the event the surety must pay a loss, it has the right to seek indemnity from the principal (the manufacturer, in this case). Therefore, part of the surety's underwriting involves a financial assessment of the principal. The surety will require a certain threshold of financial strength relative to the bond amount – the higher the bond amount, the higher the threshold, and the possibility of reduced availability. A manufacturer with limited net worth and working capital might find it difficult to obtain a \$3 million bond.

We thank you for your consideration of our comments.

Sincerely,  
  
Robert J. Duke  
General Counsel